



April 21, 2011

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

RE: Notice of Request for Confidential Treatment of Ex parte Data under Protective Order

Dear Ms. Dortch:

GVNW Consulting, Inc. (GVNW) respectfully requests confidential treatment for the regulated and nonregulated net income data included in this ex parte filing. GVNW seeks this request for confidentiality pursuant to the September 16, 2010 Protective Order in CC Docket No. 01-92, GN Docket No. 09-51 and WC Docket Nos. 05-337, 07-135, and 10-90 [CC Docket No. 01-92, Protective Order, 25 FCC Rcd 13160 (WCB 2010)].

In accordance with the applicable paragraphs of the above-referenced Protective Order, both non-redacted and redacted versions are filed with this letter. Each page containing sensitive material in the non-redacted filing is marked as "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER IN CC DOCKET NO. 01-92, WC DOCKETS NO. 05-337, 07-135, AND 10-90 AND GN DOCKET NO. 09-51 BEFORE THE FEDERAL COMMUNICATIONS COMMISSION." Each corresponding page of the redacted submission is marked "REDACTED – FOR PUBLIC INSPECTION." The redacted version is also being filed via the Commission's Electronic Comment Filing System.

Please contact me on 503.612.4409 or at jsmith@gvnw.com if you have any questions.

Respectfully submitted,

Jeffrey H. Smith
Vice-President and Division Manager – Western Region
Chairman of the Board of Directors

Attachments
Copy to Kevin King, Wireline Competition Bureau (two non-redacted copies)
Kenneth T. Burchett, GVNW

Regulated and Non-Regulated Rate of Return Data

At page 31 of our April 18, 2011 filing in the USF and ICC reform dockets, we stated the following:

PAST PERFORMANCE IS RELEVANT IN THE ACCOUNTABILITY DEBATE

Non-regulated net income for rural carriers will not “offset” proposed reductions to support mechanisms

There has been some opinion expressed by Commission staff during this reform debate that rural carriers should be able to rely on their nonregulated revenues (we believe net income is the proper metric) to offset reductions in federal universal service payments. A number of our client companies have contacted us, expressing a belief that the provision of individual company data will be important in the advocacy of rational legal and policy arguments that refute opinions similar to the one referenced above.

Under separate ex parte, we will be providing data prior to the end of April from a statistically valid sample of our client companies that demonstrates that there is not adequate nonregulated income to offset any level of support reductions. As you would expect, this data will be filed under the protective order option in this docket. (end of cite)

Some of GVNW's clients have given us authorization to use their company specific data, as the Commission is asking for both regulated and non-regulated data. GVNW has developed the attached analyses showing both the regulated and non-regulated earnings for the clients for which we have the financial data and the authorization to file the data in a regulatory proceeding.

The information is for the 2009 study year. The information comes primarily from State Commission reports and from audited financial reports. This information is supplemented with some data from the annual cost studies. Following is a description of the key elements of the analysis and some of the assumptions used in displaying the data.

OPERATING

NET OPERATING INCOME (NOI)

This is the key income element in determining rate of return. It consists of net income after taxes but before fixed charges (interest expense). This is the income that covers both debt and equity costs in determining the rate of return. For regulated NOI, this includes the items specified in Part 65 of the Commission's Rules and Regulations.

OPERATING FIXED CHARGES

Operating fixed charges were extracted from the 2009 cost study. In the cost study, fixed charges excluding interest on customer deposits is separated between operating and non-operating, using the relative investment in operating vs. non-operating.

NET INCOME

Net Income is the income available to cover the equity portion of the capital structure. This is calculated by subtracting the operating fixed charges from the NOI. There are two possible adjustments to this computation. If the company pays interest on customer deposits, this interest is subtracted in determining net income. The other adjustment is if a company has an Allowance for Funds Used during Construction (AFUDC), this accrual amount is added to the net income in the computation.

RATE BASE

The rate base is the average rate base included in the 2009 cost study.

RATE OF RETURN

The rate of return is calculated by dividing the NOI by the rate base.

NON-OPERATING/NON-REGULATED

NON-REGULATED/ NON-OPERATING INCOME

This is the equivalent of NOI for non-regulated income. Note that some of the companies have affiliates or subsidiaries that are regulated telephone companies. In these situations, the income from the affiliated regulated company is treated as non-regulated income for the parent ILEC. Where information is readily available, we provided the amount of income from these subsidiaries.

NON-OPERATING FIXED CHARGES

This comes from the fixed charge allocation in the 2009 cost study.

NET INCOME

This is computed by subtracting the non operating fixed charges from the non-regulated non-operating income.

NON-REGULATED/NON-OPERATING ASSETS

This comes from the 2009 cost study. It is the amount of non-operating investment used to allocate fixed charges.

NON-REGULATED RATE OF RETURN

This is the non-regulated NOI divided by the non-regulated non-operating assets. As noted above, the inclusion of income from affiliated regulated companies may cause the results of this computation to be misleading.